

105TH CONGRESS  
1ST SESSION

# S. 31

To phase-out and repeal the Federal estate and gift taxes and the tax  
on generation-skipping transfers.

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IN THE SENATE OF THE UNITED STATES

JANUARY 21, 1997

Mr. LUGAR introduced the following bill; which was read twice and referred  
to the Committee on Finance

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## A BILL

To phase-out and repeal the Federal estate and gift taxes  
and the tax on generation-skipping transfers.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Estate and Gift Tax  
5       Phase-Out Act of 1997”.

6       **SEC. 2. FINDINGS.**

7       Congress finds the following:

8               (1) The economy of the United States cannot  
9       achieve strong, sustained growth without adequate  
10      levels of savings to fuel productive activity. Inad-

1 equate savings have been shown to lead to lower pro-  
 2 ductivity, stagnating wages, and reduced standards  
 3 of living.

4 (2) Savings levels in the United States have  
 5 steadily declined over the past 25 years, and have  
 6 lagged behind the industrialized trading partners of  
 7 the United States.

8 (3) These anemic savings levels have contrib-  
 9 uted to the country's long-term downward trend in  
 10 real economic growth, which averaged close to 3.5  
 11 percent over the last 100 years but has slowed to 2.4  
 12 percent over the past quarter century.

13 (4) Repealing the estate and gift tax would con-  
 14 tribute to the goals of expanding savings and invest-  
 15 ment, boosting entrepreneurial activity, and expand-  
 16 ing economic growth.

17 (5) Abolishing the estate tax would restore a  
 18 measure of fairness to the Federal tax system. Fam-  
 19 ilies should be able to pass on the fruits of labor to  
 20 the next generation without realizing a taxable  
 21 event.

22 **SEC. 3. PHASE-OUT OF ESTATE AND GIFT TAXES THROUGH**  
 23 **INCREASE IN UNIFIED ESTATE AND GIFT TAX**  
 24 **CREDIT.**

25 (a) ESTATE TAX CREDIT.—

1 (1) IN GENERAL.—Section 2010(a) of the In-  
 2 ternal Revenue Code of 1986 (relating to unified  
 3 credit against estate tax) is amended by striking  
 4 “\$192,800” and inserting “the applicable credit  
 5 amount”.

6 (2) APPLICABLE CREDIT AMOUNT.— Section  
 7 2010 of such Code is amended by redesignating sub-  
 8 section (c) as subsection (d) and by inserting after  
 9 subsection (b) the following:

10 “(c) APPLICABLE CREDIT AMOUNT.—For purposes  
 11 of this section, the applicable credit amount is the amount  
 12 of the tentative tax which would be determined under the  
 13 rate schedule set forth in section 2001(c) if the amount  
 14 with respect to which such tentative tax is to be computed  
 15 were the applicable exclusion amount determined in ac-  
 16 cordance with the following table:

<b>“In the case of estates of decedents dying, and gifts made, during:</b>	<b>The applicable exclusion amount is:</b>
1998 .....	\$1,000,000
1999 .....	\$1,500,000
2000 .....	\$2,000,000
2001 .....	\$2,500,000
2002 .....	\$5,000,000.”.

17 (3) CONFORMING AMENDMENTS.—

18 (A) Section 6018(a)(1) of such Code is  
 19 amended by striking “\$600,000” and inserting  
 20 “the applicable exclusion amount in effect  
 21 under section 2010(c) for the calendar year  
 22 which includes the date of death”.

1 (B) Section 2001(c)(2) of such Code is  
 2 amended by striking “\$21,040,000” and insert-  
 3 ing “the amount at which the average tax rate  
 4 under this section is 55 percent”.

5 (C) Section 2102(c)(3)(A) of such Code is  
 6 amended by striking “\$192,800” and inserting  
 7 “the applicable credit amount in effect under  
 8 section 2010(c) for the calendar year which in-  
 9 cludes the date of death”.

10 (b) UNIFIED GIFT TAX CREDIT.—Section  
 11 2505(a)(1) of the Internal Revenue Code of 1986 (relating  
 12 to unified credit against gift tax) is amended by striking  
 13 “\$192,800” and inserting “the applicable credit amount  
 14 in effect under section 2010(c) for such calendar year”.

15 (c) EFFECTIVE DATE.—The amendments made by  
 16 this section shall apply to the estates of decedents dying,  
 17 and gifts made, after December 31, 1997.

18 **SEC. 4. REPEAL OF FEDERAL TRANSFER TAXES.**

19 (a) IN GENERAL.—Subtitle B of the Internal Reve-  
 20 nue Code of 1986 is repealed.

21 (b) EFFECTIVE DATE.—The repeal made by sub-  
 22 section (a) shall apply to the estates of decedents dying,  
 23 and gifts and generation-skipping transfers made, after  
 24 December 31, 2002.

1       (c) TECHNICAL AND CONFORMING CHANGES.—The  
2 Secretary of the Treasury or the Secretary's delegate shall  
3 not later than 90 days after the effective date of this sec-  
4 tion, submit to the Committee on Ways and Means of the  
5 House of Representatives and the Committee on Finance  
6 of the Senate a draft of any technical and conforming  
7 changes in the Internal Revenue Code of 1986 which are  
8 necessary to reflect throughout such Code the changes in  
9 the substantive provisions of law made by this Act.

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